Hart Schaffner & Marx

1980 Annual Report

THES
N.Y.

Contents

Highlights	1
Letter to Shareholders	2-3
Manufacturing Divisions	4-9
Retail Stores Division	10-13
Financial Section	14-23
Map	24
Directors and Officers	25

Hart Schaffner & Marx
36 South Franklin Street
Chicago, Illinois 60606
(312) 372-6300

Note: In May, 1981 the Hart Schaffner & Marx corporate headquarters will be relocated to:

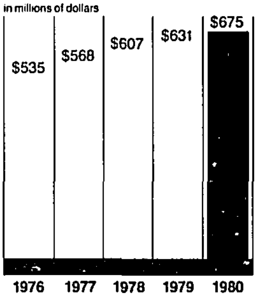
101 North Wacker Drive
Chicago, Illinois 60606

Highlights

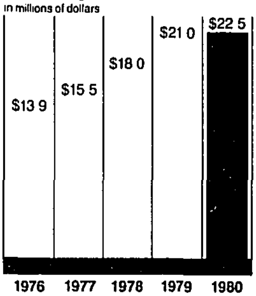
Hart Schaffner & Marx

Hart Schaffner & Marx and Subsidiary Companies

Net Sales
in millions of dollars

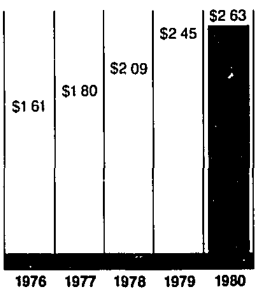


Net Earnings
in millions of dollars

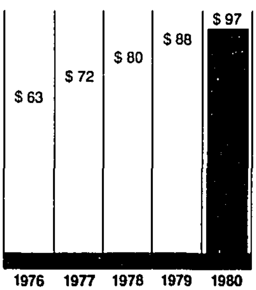


Years ended November 30	Increase	1980	1979	
Operating Results	+ 7%	**$674,888,000**	$630,751,000	Net Sales
	+ 7%	**22,525,000**	21,015,000	Net Earnings
Shareholder Financial Data	+ 7%	**2.63**	2 45	Earnings per share
	+10%	**.97**	88	Cash dividends per common share
	+ 7%	**226,812,000**	212,574,000	Shareholders' equity
	+ 7%	**26.50**	24 87	Equity per share
		8,561,000	8,577,000	Average number of common shares and common share equivalents
		9,150	9,000	*Number of shareholders*

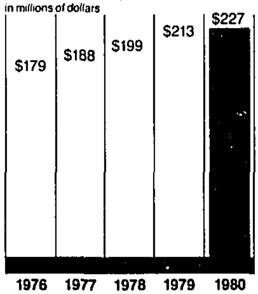
Earnings Per Share



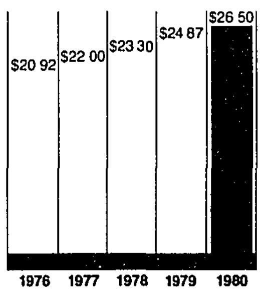
Dividends Per Share



Shareholders Equity
in millions of dollars



Equity Per Share



To Our Shareholders:

Hart Schaffner & Marx has great fundamental strengths which become more evident in difficult years. Your Company continued to progress during this past year, which was not an easy one for apparel manufacturing and retailing nor for the general economy In each of the past five years, our sales set a new record and earnings increased. For three consecutive years, record earnings have been attained by both the manufacturing and retailing divisions and on a consolidated basis

Your Company is strong in all areas, with outstanding apparel brands and stores, and has been successful in using its favorable financial position to expand internally and by acquisitions The economic outlook is still uncertain but the prospects for Hart Schaffner & Marx appear bright for 1981, the Company's 94th year.

Sales, Earnings and Dividends

Sales increased 7 percent from $630,751,000 to $674,888,000 in fiscal 1980. Earnings also increased 7 percent to $22,525,000 or $2.63 per share, compared to previous records of $21,015,000 or $2.45 per share for 1979 and $18,005,000 or $2.09 per share for 1978. Cash dividends per common share were increased in April, 1980 from 22 cents to 25 cents quarterly or $1 00 per share on an annual basis. Dividends paid in 1980 amounted to 97 cents per share, or 10 percent more than the 88 cents paid in 1979.

In determining earnings, your Company uses conservative accounting methods Perhaps the best example of this is the application of the last-in, first-out (LIFO) method of valuing a substantial portion of our inventories, which had the effect of reducing earnings per share by 15 cents in 1980 and 9 cents in 1979

For the first quarter ending February 28, 1981, it appears that sales will be about 10 percent higher than last year's first quarter, when sales were up 8 percent and earnings increased 14 percent Larger sales increases are expected in the remainder of the year Sales of the Retail Stores Division have not increased as much as planned, but sales of the manufacturing divisions are on target

In Honor of John D. Gray

John D Gray will become chairman emeritus of Hart Schaffner & Marx on April 13, 1981 He joined the Company in 1945, serving first as president of Baskin in Chicago and next, in 1948, as president of Wallachs in New York, these being the two largest men's retail subsidiaries In December, 1960, he was elected president and chief executive officer of the Company He was president until elected chairman in 1970 and continued as chief executive officer through 1975 During the past five years as chairman, his counsel and excellent judgment have contributed to the continued success of the Company

The Company experienced vigorous growth and expansion under John D. Gray's dynamic leadership as chief executive officer In 1960, operations consisted of Hart Schaffner & Marx manufacturing and 79 stores with consolidated earnings of $2 3 million on sales of $89 9 million The Company grew through acquisitions and internal expansion Hickey-Freeman, M Wile and Jaymar-Ruby, all major men's apparel manufacturing companies, were acquired New clothing labels were introduced, including Christian Dior, Austin Reed of Regent Street, Johnny Carson, Jack Nicklaus, Nino Cerruti, Fashionaire, and Graham & Gunn, Ltd Three groups of women's apparel stores—Chas A Stevens, deJong's and J. P. Allen—were acquired By 1975, the Company's sales were approximately one-half billion dollars, and it owned 249 stores in 65 U S metropolitan areas plus 14 Robert's stores in Mexico

John D Gray's many important accomplishments and dedicated service throughout his long and distinguished career helped to bring the Company to its present premier position. After retiring as chairman, he will continue to make a valuable contribution to Hart Schaffner & Marx as a director and executive committee member

Acquisitions

The September 1979 acquisition of Intercontinental Apparel, Inc , the U S licensee for Pierre Cardin men's clothing, improved fiscal 1980 results Country Miss, Inc., purchased January 7, 1981, will be beneficial to 1981 results Our investments of about $12 million in each of these new subsidiaries were financed from internally generated funds

Country Miss manufactures a diversified group of branded lines—Country Miss dresses, Country Suburbans sportswear, Suburban Separates, Handmacher suits and Weathervane sportswear—for the misses moderate-to-better-priced market Its products are distributed through more than 6,000 department and specialty stores.

Your Company owns 80 percent of Country Miss, Inc The remaining 20 percent is owned equally by its three top officers—Alfred T Gifford, president, Stanley Wax, executive vice president and Stephen Perlow, senior vice president. They also had a substantial ownership in the former public company

Country Miss reported sales of $41 million and earnings of $2 6 million for its fiscal year ended September 30, 1980 On a pro forma basis, although results will not be restated, our 1980 sales would have been $716 million and earnings would have been approximately $23.5 million or $2.75 per share, if 80 percent of Country Miss had been owned during 1980, after assumed interest expense on the investment

Return on Equity

Shareholders' equity has grown to $226 8 million or $26 50 per share at November 30, 1980 Earnings of $22,525,000 represented 10.3 percent return on average equity during 1980 Including Country Miss, the return would have been 10 7 percent We have a goal of 12 percent by 1982 and a longer-term objective of attaining 15 percent return on equity We think this can be accomplished with improved sales, margins, and inventory turnover, by selective acquisitions and through expansion and improvements of facilities Retail store expansion, a move to new headquarters, and a modern facility for handling piece goods will increase 1981 capital investments to about twice 1980's $15 million. We have contracted to sell our old headquarters property, and this spring our corporate, retail and Hart Schaffner & Marx Clothes Division offices will move to leased premises in a new building, to be named for Hart Schaffner & Marx, at 101 North Wacker Drive, Chicago. The Clothes Division is building a new facility adjacent to its distribution center near O'Hare Airport. This will improve efficiency and reduce trucking and other costs, particularly in receiving and cutting fabrics. Funds from a combination of retained earnings and somewhat higher debt should facilitate further internal growth and acquisitions The Company's cash flow is excellent and long-term debt is only $53.7 million or 19 percent of total debt and equity capitalization of $280.5 million There was no short-term borrowing at January 31, 1981

Manufacturing

Record sales and earnings were achieved in manufacturing in 1980 Manufacturing sales to independents increased 14 percent to $271 2 million in 1980 from $237 8 million in 1979. Manufacturing earned a 12 percent return on investment in 1980 The return should increase in 1981, as advance orders indicate higher unit sales, projected margins are higher and Country Miss will improve the results

Total manufacturing volume was $333 million in 1980, of which 81 percent was sold to independent customers and $62 million or 19 percent was shipped to the Company's retail subsidiaries. The intercompany shipments, excluded from consolidated sales, represent the majority of the tailored clothing sold by our stores but only one-fourth of their total retail sales

One of our major strengths is the synergism resulting from strong manufacturing divisions with well-known, prestigious brands serving various market segments, and outstanding retail stores Our stores are offered the same merchandise at the same prices as independent customers They are not run for the benefit of the manufacturing group—nor vice versa—and are responsible for operating profitably Our independent customers are fine men's specialty stores, which are the dominant retailers of men's tailored clothing, and quality department

stores. Our products are sold in thousands of stores throughout the country, about 85 percent through men's stores and 15 percent through department stores. We try to develop a close working relationship with the retailers featuring our products, and we provide our customers with complete advertising and selling programs These have been created from years of successful experience, and improved performance is directly attributed to this assistance from the Company

Manufacturing capacity is being expanded to meet increased demand for our products. Technological innovations and new equipment are being added to reduce costs and improve quality and productivity Computerized pattern making, devices to obtain the best material utilization, computer-driven fabric-cutting systems and automatic pressing machines have been installed in several plants

A Men's Apparel Group has been established with a staff to coordinate common activities among the manufacturing divisions and to work with them to develop plans to meet the short-term and long-term goals of the company William J. NcNally, formerly a corporate vice president, will direct the staff as executive vice president of the Group

Retailing

Record sales and earnings were achieved by the Retail Stores Division in 1980. Retail store sales increased 4 percent in our 275 men's and women's specialty stores Total retail sales shown in the operating segment information increased to $403.7 million in 1980, or 2 7 percent above the previous year's $393 million, which included some miscellaneous sales. Return on investment in retail net assets improved to 9 percent in 1980 An improved management structure and tight financial controls along with new merchandising concepts contributed to these results despite the recession.

Fourteen new stores were opened and 12 major remodelings were completed during 1980. The improvement in store ambience and merchandise presentation was a major thrust in 1980 and will be again in 1981, when 15 to 20 stores will be opened. Store sizes are being reduced in several situations to increase productivity and return on investment, while in others, new methods of merchandise presentation should increase traffic and sales

Our stores are well positioned to satisfy the consumer's continuing demand for quality apparel and superior service. Major steps are being taken to increase market share among the upper and middle income consumers in the 66 key metropolitan markets we serve as well as widening the appeal to younger, value-conscious customers who prefer shopping in our kind of specialty store environment.

Your Company's stores represent the leading men's and women's specialty apparel operations in most of the communities where they are located They have stood the test of time, have credibility and have earned the confidence of their customers. We firmly believe that our kind of specialty store will fare well in the future, as the population matures and becomes more affluent, more traditional in taste and more discriminating in demanding quality goods, fit and service No one can serve these customers better than our stores

Investments and Licensing

Our investments in Austin Reed Group Limited of Great Britain, from which we license the Austin Reed name for British-influenced clothing we manufacture in the U S , and in Robert's, a very profitable men's clothing manufacturer and retailer in Mexico, are carried at book values well below the share values at which these public companies trade Neither is consolidated, but the Company's 49 percent equity in Robert's earnings, included in consolidated earnings, increased to $1,252,000 in 1980 from $1,017,000 in 1979, or 23 percent Robert's will expand from 18 to 22 stores in 1981 and recently acquired a majority interest in a small textile mill.

Many of the Company's brand names and its technology are now licensed in about a dozen foreign countries. The most productive association is in Japan, where we have a large number of sublicensees under programs developed through Marubeni Corporation and Asahi Chemical Industry Co., Ltd., two large and prestigious Japanese companies. Our licensing income, including royalties from licensing in the United States, exceeded $1.5 million in 1980

John D Gray Jerome S Gore

Management

As announced in January, a new management structure will be effective at our annual meeting on April 13, 1981 when John D Gray will retire as chairman Jerome S. Gore will become chairman and continue as chief executive officer, John R. Meinert will become vice chairman and continue as chief financial and administrative officer, and Richard P Hamilton will become president and chief operating officer

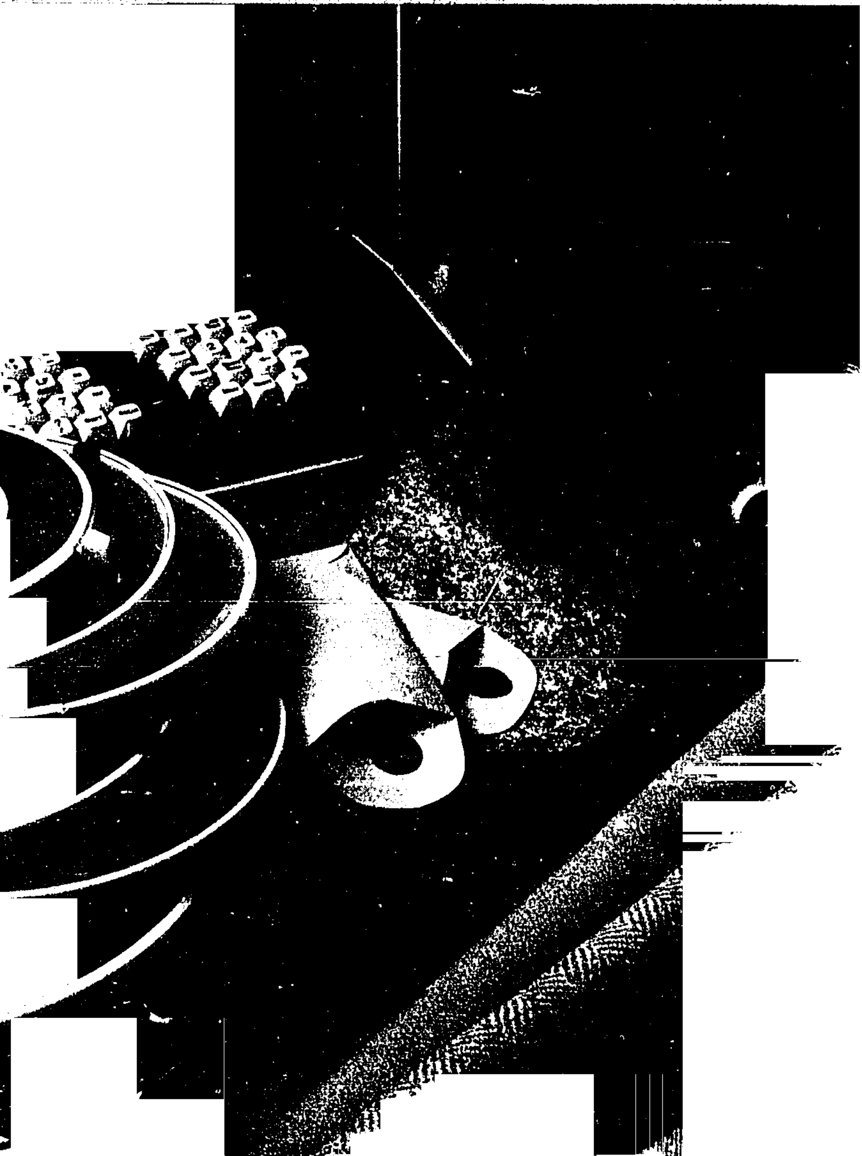
Mr Gore, who joined the Company in 1941, was elected a director in 1960, president in 1970 and chief executive officer in January, 1976 Mr. Meinert, who has been with the Company since 1950, was elected a director in 1974 and has been executive vice president and the chief financial and administrative officer since January, 1975 Mr Hamilton joined the Company in 1978 as chairman and chief executive officer of the Retail Stores Division and became a director in 1979 In the Division, Harvey Weinberg replaces Mr. Hamilton as chairman and chief executive He joined us in 1969, and was vice president, southwest region and head of our Jas K. Wilson stores. Henry C Schwartz, who joined the Company in 1972, was promoted from executive vice president to president. Charles A DeChants, senior vice president, was named executive vice president of the Division

Lee S. Bickmore, a director of our Company since 1968, is retiring from our board. Mr. Bickmore, formerly chairman and chief executive officer of Nabisco, Inc., has made a significant contribution to our Company, especially in the important area of marketing. His wise and friendly counsel is appreciated and he will be missed

Your Company has enhanced its enviable reputation over many years for the quality and value of its products and for outstanding service to customers Our major underlying asset is the ability and dedication of our employees, who are maintaining these high standards. Our directors and officers join in sincerely thanking them

John D. Gray
Chairman

Jerome S. Gore
President and
Chief Executive Officer



Chester Barrie

The manufacturing divisions offer a wide range of quality apparel covering prices and fashions appealing to different markets. This distinctive approach contributes to the sales performance and enables us to serve many retailers as we provide them with the best merchandise for their customers. Our brands with retail price ranges for suits are shown on page 23.

The Company's ability to offer diversified apparel fashions through a prestigious array of brands, personalities and designers is supported by efficient manufacturing plants and distribution centers. During 1980, we operated 26 plants in 10 states. A year ago a factory was added by the Hart Schaffner & Marx Clothes division to produce Fashionaire career apparel in Marseilles, Illinois. This month, another factory is being added to take care of the additional capacity needed for Austin Reed of Regent Street suits. Including the Country Miss acquisition last month, the Company now operates 30 plants in 12 states with 12,000 employees

Our Company has been very successful in selling apparel designed by Christian Dior. The Christian Dior Grande Lux label is carried on suits, sport coats and outer coats tailored by Hart Schaffner & Marx. A new line of moderately priced tailored clothing, Christian

Hart Schaffner & Marx Racquet Club

Jack Nicklaus Sportswear

Christian Dior Grande Lux by Hart Schaffner & Marx

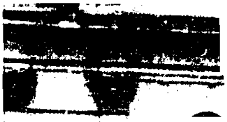
Hickey-Freeman

Ruby Ltd

Nino Cerruti

Dior Monsieur, has been developed to appeal to the younger fashion customer. The initial presentation to the market was in 1980 and orders for 1981 are up substantially. Men's rainwear under the Christian Dior label and outerwear under the Christian Dior Monsieur Sport label are sold to quality menswear specialty stores and department stores throughout the country. Our own retail stores feature all of

Country Miss



Gleneagle's premium rainwear offerings continue to be the leadership brand in better specialty stores.

Gleneagle's Rainwear

the above products as well as Christian Dior shirts, neckwear and sportswear manufactured by other companies and sell the largest volume of Christian Dior men's apparel in the world.

The other premier designer name in men's apparel is Pierre Cardin Intercontinental Apparel, the U.S. licensee for Pierre Cardin men's tailored clothing, was acquired in September 1979. Intercontinental sells both the Pierre Cardin Couture line and the more moderately priced Pierre Cardin Boutique label. Intercontinental sales in 1980 were 20 percent higher than its sales prior to our ownership and sales for 1981 will show another substantial increase

Other important designer names for our Company include Nino Cerruti and Cesarani. Under both names, men's suits, sport coats and sportswear are being offered. Nino Cerruti, an outstanding European designer, offers high fashion designs—Cesarani is a well respected young American designer with the traditional natural shoulder look.

Austin Reed of Regent Street continues to be one of the fastest growing suit and sport coat brands in the country. This line is being sold successfully by quality specialty and department stores throughout the country to the man who prefers British-influenced

Austin Reed of Regent Street

Nino Cerruti Sport

Jack Nicklaus Apparel

[illegible]

John Brodie, popular NBC [illegible] commentator continues as the Jaymar spokesman in national [illegible] and television promotion

Jaymar

Hart Schaffner & Marx Corporate

clothing For the first time, a line of Austin Reed women's tailored suits, jackets, skirts and slacks is being offered for the fall 1981 season and the response has been very encouraging.

Hart Schaffner & Marx, the best known label for men's tailored clothing in the world, introduced its Racquet Club collection with a major national promotion in 1980. A series of radio commercials sponsoring the coverage of the U S Tennis Open featuring Tony Trabert introduced this new collection

Jack Nicklaus, who won both the U S. Open and the PGA Tournaments last year, enhanced his stature as one of the world's leading sportsmen The Jack Nicklaus line of clothing which also carries the Hart Schaffner & Marx label will again be promoted during the spring 1981 Masters Tournament.

Jaymar-Ruby is the most successful manufacturer of men's quality slacks. The Jaymar Sansabelt label continues to increase its market share and provides the retailer with the best selling slack in the country. The Ruby Ltd. sport coat with its unique construction process which has been patented continues its sales growth. The Ruby Ltd. coat has been combined with the Sansabelt slack to produce a collection of well-tailored separates.

Hickey-Freeman and Walter-Morton suits, sport coats and outercoats, the most prestigious and highest priced men's tailored clothing offered by our Company, showed increases in its 1980 sales and 1981 unit orders are ahead of last year. The Chester Barrie line introduced during 1980, produced in the same factory with Hickey-Freeman, is being successfully sold by some of the finest men's stores in the country and their advance orders for 1981 are also showing increases.

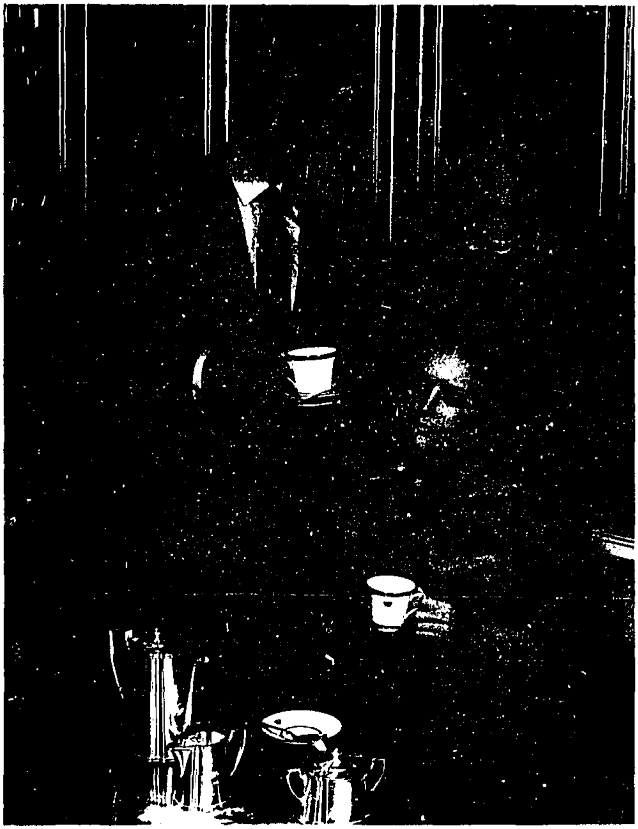
Johnny Carson Apparel, launched ten years ago, has repositioned its marketing and merchandising approach so that it will continue to appeal to the customer who wants a branded, distinctive look and a quality product at a popular price. The production of this clothing has been transferred to our new modern clothing facility in Whiteville,

Johnny Carson

North Carolina. Johnny Carson, Number One in television, brings his popular personality to the styling of this apparel sold by thousands of department and specialty stores

Country Miss, acquired in January 1981, is your Company's first major entry into the women's apparel manufacturing industry. This successful company, whose major products are women's sportswear,

Allyn St. George, "The American Classic Designer," has enjoyed increased distribution since its introduction in 1978. This line of mens' suits and sport coats was promoted by a national advertising campaign in 1980.



Society Brand Ltd

Christian Dior Monsieur

Graham & Gunn Ltd

Playboy Apparel for Men introduced to retailers for Spring 1980 carries the instantly recognized Playboy label. This line for the fashion conscious young man was the Company's entry into the popularly-priced market.

Playboy

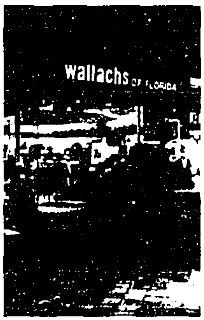
is planning for a 20% increase in sales for 1981. Its executive offices and showrooms are in New York City, while the financial and administrative functions, as well as warehousing and shipping are in a company-owned facility in Easton, Pennsylvania. Country Miss operates 3 of its own manufacturing facilities, as well as 20 women's factory outlet stores. This new division has excellent management and is well positioned for growth in the years ahead.

Sansabelt

In the Kansas City market area an exciting new store featuring men's and women's apparel was opened by Jack Henry in Bannister Mall.

While continuing to strengthen our important position in tailored clothing, major steps were taken in 1980 to capitalize on the growing men's sportswear market Our sportswear presentation was expanded to include new classifications like activewear and upgraded to include several of the most successful international designers collections. We also introduced our exclusive Gian Marco Collection Core programs were added in each key merchandise classification and a 'never-out' staple merchandise program was developed and implemented in all stores to increase sales We also reorganized our merchandising offices in New York to better serve our regional management structure.

The regional management program was put into full operation in 1980. There are now 5 regional vice presidents, each with a proven track record running one or more of our retail businesses, who are now directly responsible for the operations, sales and profits of a number of store groups. They work closely with local store presidents and management personnel to achieve quick and effective response to specific store needs and to obtain as much operating benefit as possible from cross-pollinating of ideas, buying and general economies of scale. The regional managers, who are also divisional officers, work closely with headquarters management in merchandising, leasing, advertising, accounting controls, and other key retail functional areas Monthly meetings among all these executives assure effective and timely monitoring and supervision of store operations and provide the mechanisms for operational control, merchandising discipline and policy implementation throughout the division.



The inviting new open store design is dramatically evident in the Wallachs of Florida store that recently opened in Boca Raton

The tenth Atlanta area Zachry store opened in Shannon Mall in Fall 1980. further enhancing the quality men's specialty store operation's dominance in this important southeastern market

Regional management has already enabled us to effectively combine several local operations on a regional level. This has resulted in significant cost savings as well as a better utilization of available talent. In certain areas, smaller operations have been merged into larger units to realize greater management, marketing and merchandising efficiencies which is resulting in a stronger presentation and profile to our customers.

A major step in the expansion of the New York based Field Bros operation was the opening of this very attractive store unit in the Galleria at White Plains, New York

Management training and sales training and motivation programs at the store level are assuming increasing importance in our business as we seek to employ better qualified, more productive people and provide the level of job enrichment required to keep them.

The Justice Department ruling that prevented us from purchasing any men's specialty stores for a number of years ended in 1980 Our first acquisition was Bishop's by the Klopfenstein group in the northwest We are currently studying the possibility of several other retail acquisitions, particularly in growing areas where we're not already represented, although our posture is to be very selective.

Results of an extensive remodeling effort at the North Park Jas. K. Wilson store in the Dallas area. This was one of several Texas stores remodeled in 1980

[illegible]

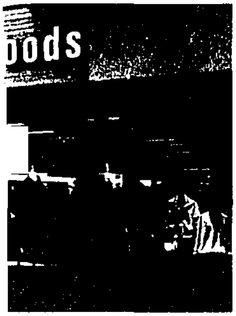
The 14 stores opened in 1980 were planned to strengthen our position in markets where we already have viable operations. They include openings in such important trading areas as Dallas, Atlanta,

Boca Raton, Los Angeles and Kansas City Included in the 15-20 new stores planned for 1981, is a 45,000 sq. ft store for our highly successful deJong's group of Evansville at the new Eastland Shopping Center to replace their current 33,000 sq. ft. unit at Lawndale Most of our new stores are 4,000 to 6,500 sq ft. compared to the 8,000 sq ft to 12,000 sq. ft units we opened 5 years ago

Our new stores are smaller today and they are more contemporary, yet these stores continue to project the high quality which our customers have come to expect from us. In most cases, the new stores are more open and inviting—since we've widened the entrances and removed the window backgrounds In the newest stores we are strategically placing antiques to add to the quality ambience. The colorful sportswear—all up front now—adds to the excitement

Women's apparel sales in our 34 women's specialty stores and in 146 of our men's specialty stores showed significant gains. Taking advantage of the continuing trend to classic man-tailored women's apparel, 5 additional stores introduced such collections in 1980, including the prestigious Tripler and Capper & Capper units. As our women's business has grown to $121 million in 1980, up from $110 in 1979 (including leased departments), a key women's executive was

1980 marked a year of developing exciting new store concepts in many areas of the country part of a continuing program to attract large numbers of new customers. Here, a handsome women's department was added to a former exclusive men's store



added at the division level to direct and further expand our women's operations

The new Chas stores in the Chicago area now total three, and a fourth will open in the Spring of 1981 Chas, an experiment in a small space, carefully edited, contemporary, updated misses store concept has proved successful. Esteban, a new and unique fashion accessory store concept, was opened in two Chicago locations, and expansion of this idea is being evaluated

Our stores represent the leading men's and women's specialty apparel operations in most of the communities they serve It is our objective continually to strengthen our retail operations to capitalize on the growing consumer demand for quality and service which should augur well for the future of our type of specialty stores The selection of quality branded products featured in our fine stores, the intensive training of sales personnel and development of modern systems are all designed to maintain this leadership and growth position in the 1980's

Consolidated Statements of Earnings and Shareholders' Equity

Hart Schaffner & Marx and Subsidiary Companies

In Thousands Years ended November 30	1980	1979	1978	
Consolidated Statement of Earnings	**$674,888**	$630,751	$606,610	Net sales
	7,875	8,572	6,473	Finance charges and other income
	3,015	2,497	1,504	Interest income
	1,252	1,017	319	Equity in earnings of non-consolidated affiliate
	687,030	642,837	614,906	
	412,685	388,439	375,693	Cost of goods sold
	226,563	209,048	197,493	Selling, administrative and occupancy expenses
	5,522	5,110	5,765	Interest
	644,770	602,597	578,951	
	42,260	40,240	35,955	Earnings before taxes
	19,735	19,225	17,950	Taxes on earnings
	$ 22,525	$ 21,015	$ 18,005	Net earnings for the year
	$ 2.63	$ 2 45	$ 2.09	Net earnings per common share and common share equivalent
	8,561	8,577	8,601	Average number of common shares and common share equivalents

Consolidated Statement of Shareholders' Equity

Par value of Preferred Stock	Par value of Common Stock	Capital Surplus	Retained Earnings	Treasury Shares	
$ 82	$ 21,695	$ 23,552	$146,537	$ (3,524)	Balance at November 30, 1977
			18,005		Net earnings for the year
					Cash dividends paid:
			(164)		Preferred shares, $2 00 per share
			(6,732)		Common shares, $ 80 per share
	10	26			Stock options exercised (3,800 shares)
				14	Dispositions of 1,051 treasury shares
82	21,705	23,578	157,646	(3,510)	Balance at November 30, 1978
			21,015		Net earnings for the year
					Cash dividends paid:
			(164)		Preferred shares, $2 00 per share
			(7,398)		Common shares, $ 88 per share
	177	507			Stock options exercised (70,625 shares)
				(1,064)	Acquisition of 86,604 treasury shares (net of disposition of 996 shares)
82	21,882	24,085	171,099	(4,574)	Balance at November 30, 1979
			22,525		Net earnings for the year
					Cash dividends paid:
			(164)		Preferred shares, $2 00 per share
			(8,140)		Common shares, $ 97 per share
	169	488			Stock options exercised (67,625 shares)
				(640)	Acquisition of 58,805 treasury shares (net of disposition of 995 shares)
$ 82	$ 22,051	$ 24,573	$185,320	$ (5,214)	Balance at November 30, 1980

(See accompanying notes to consolidated financial statements)

Consolidated Balance Sheet

Hart Schaffner & Marx and Subsidiary Companies

In Thousands/November 30	1980	1979	
Assets			
Current Assets	$ 13,884	$ 5,607	Cash and short term investments
	124,618	109,084	Accounts receivable, less allowance of $6,377,000 and $5,510,000 for doubtful accounts
	186,061	164,445	Inventories
	2,269	1,719	Prepaid expenses
	326,832	280,855	**Total current assets**
Investments and Other Assets	11,947	11,209	
Properties	2,861	2,778	Land
	23,691	22,343	Buildings and building equipment
	83,934	78,324	Furniture, fixtures and equipment
	51,420	48,932	Leasehold improvements
	161,906	152,377	
	(98,450)	(93,904)	Accumulated depreciation and amortization
	63,456	58,473	**Net properties**
Total Assets	$402,235	$350,537	

	1980	1979	
Liabilities and Shareholders' Equity			
Current Liabilities	$ 24,000	$ 1,990	Notes payable to banks
	910	881	Current maturities of long term debt
	85,422	70,805	Accounts payable and accrued expenses
	3,740	3,591	Taxes on earnings
	7,695	6,475	Deferred taxes on earnings
	121,767	83,742	***Total current liabilities***
Long Term Debt	53,656	54,221	Long term debt, less current maturities
Shareholders' Equity	82	82	Convertible preferred shares, $1 par value, authorized 2,500,000, issued and outstanding, Series A, 81,906 in 1980 and 82,006 in 1979
	22,051	21,882	Common shares, $2 50 par value, authorized 25,000,000, issued 8,820,528 in 1980 and 8,752,723 in 1979
	24,573	24,085	Capital surplus
	185,320	171,099	Retained earnings
	232,026	217,148	
	(5,214)	(4,574)	Common shares in treasury, at cost, 410,072 in 1980 and 351,267 in 1979
	226,812	212,574	**Shareholders' equity**
Total Liabilities and Shareholders' Equity	$402,235	$350,537	

(See accompanying notes to consolidated financial statements)

Consolidated Statement of Changes in Financial Position

Hart Schaffner & Marx and Subsidiary Companies

In Thousands/Years ended November 30	1980	1979	1978	
Working Capital was Provided by:	**$ 22,525**	$ 21,015	$ 18,005	Net earnings for the year
	9,673	9,129	8,792	Depreciation and amortization
	(1,252)	(1,017)	(319)	Equity in earnings of non-consolidated affiliate
	30,946	29,127	26,478	Working capital provided by operations
	657	684	36	Proceeds from exercise of stock options
		1,552		Obligations under capital leases
	31,603	31,363	26,514	
Working Capital was Used for:	**565**	1,054	8,084	Reduction of long term debt
	8,304	7,562	6,896	Payment of dividends
	14,656	12,437	6,685	Property additions—net
	(514)	6,117	(829)	Increase (decrease) in investments and other assets
	640	1,064	(14)	Changes in treasury stock—net
	23,651	28,234	20,822	
Increase in Working Capital	**$ 7,952**	$ 3,129	$ 5,692	

Changes in Components of Working Capital:	**$ 8,277**	$ (2,239)	$ (6,613)	Cash and short term investments
	15,534	3,684	2,511	Accounts receivable
	21,616	89	5,118	Inventories
	550	(59)	(333)	Prepaid expenses
	(22,010)	10	9,500	Notes payable to banks
	(29)	3,950	(3,741)	Current maturities of long term debt
	(14,617)	(1,056)	(153)	Accounts payable and accrued expenses
	(149)	(235)	(687)	Taxes on earnings
	(1,220)	(1,015)	90	Deferred taxes on earnings
Increase in Working Capital	**$ 7,952**	$ 3,129	$ 5,692	

(See accompanying notes to consolidated financial statements)

Report of Independent Accountants

Price Waterhouse & Co.

To the Shareholders and Board
of Directors of Hart Schaffner & Marx

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of earnings, of shareholders' equity and of changes in financial position present fairly the financial position of Hart Schaffner & Marx and its subsidiaries at November 30, 1980 and 1979, and the results of their operations and the changes in their financial position for each of the three years in the period ended November 30, 1980, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Chicago, IL
January 14, 1981

Price Waterhouse & Co.

Summary of Accounting Policies
The consolidated financial statements include the accounts of the Company and all subsidiaries The Company's 49% equity in Robert's S A. de C V, a publicly traded corporation in Mexico, is included in "Investments and Other Assets"

Inventories are stated at the lower of cost or market Cost is determined by the use of the last-in, first-out (LIFO) method for a substantial portion of the manufacturing and retail store inventories For the remaining inventories, the first-in, first-out (FIFO) method is used for manufacturing and the retail method is used for retail stores.

The excess of current costs over LIFO costs for certain inventories was $11 million at November 30, 1980 compared to $8.5 million at November 30, 1979 and $7 million at November 30, 1978.

Properties are stated at cost Additions, major renewals and betterments are capitalized, maintenance and repairs which do not extend asset lives are charged against earnings. Profit or loss on disposition of assets is reflected in earnings and the related asset costs and accumulated depreciation are removed from the respective accounts except for certain assets for which the composite method of computing depreciation is used, under which no gain or loss is recognized on disposition

Accelerated depreciation methods are used for a significant portion of the properties and the straight line method is used for the remainder. Depreciation is computed based on useful lives of 20 to 45 years for buildings, 5 to 20 years for building equipment and 3 to 15 years for furniture, fixtures and equipment Leasehold improvements are amortized over the terms of the respective leases

Intangible assets are included in "Investments and Other Assets" at cost, less amortization which is provided on a straight-line basis over their economic lives, usually 10 years or less

Deferred taxes on earnings are provided for timing differences between financial and taxable income. Investment tax credits are recognized as a reduction of the current provision for taxes on earnings in the year the related assets are placed in service

The Company and its subsidiaries maintain pension plans covering substantially all employees other than those covered by union-sponsored plans Pension expense charged against earnings includes current service costs and, as to plans not fully funded, amortization of prior service costs over periods ranging from ten to thirty years Pension expense under the principal union-sponsored plan is based upon a percentage of the Company's union payroll expense pursuant to an industry-wide collective bargaining agreement. Pension costs are funded as accrued

Earnings per share are computed based on the average number of common shares and common share equivalents outstanding Convertible preferred shares have been included as common share equivalents When dilutive, stock options are included as share equivalents using the treasury stock method.

During 1980, the Company adopted Financial Accounting Standards Board Statement No 43, "Accounting for Compensated Absences", for the portion of vacation pay not previously accrued. The effect of the change on net earnings for the years presented is not material (less than one cent per share). Retained earnings have been retroactively restated to include the cumulative effect, which is not material, on prior years.

Acquisition
On January 7, 1981, the Company purchased an 80% interest in Country Miss, Inc , a manufacturer of women's diversified apparel, in a cash transaction totaling approximately $12 million Consolidated sales, net earnings and net earnings per share would have been approximately $716 million, $23 5 million and $2 75, respectively, on a pro forma basis reflecting assumed interest expense for the investment, and assuming the acquisition had been effective at the beginning of the Company's 1980 fiscal year

Long Term Debt
At November 30, 1980 and 1979, long term debt, less current maturities, comprises the following (000's omitted)

1980	1979	
$ 24,322	$ 24,476	8½% sinking fund debentures (due 1996)
25,000	25,000	9¼% promissory notes (due 1991)
2,904	3,193	Other debt, extending to 1991 (average interest rate of 6 2%)
52,226	52,669	
1,430	1,552	Obligations under capital leases
$ 53,656	$ 54,221	

The 8½% sinking fund debentures, originally $35,000,000, have been reduced by purchases which are being applied to sinking fund requirements of $1,750,000 annually; $7,000,000 was applied to 1978 through 1981, and $3,678,000 is available for future use

The 9¼% promissory notes require annual payments of $1,400,000 on December 1, 1981, 1982 and 1983 and $2,600,000 annually each December 1 thereafter. The Company may make optional prepayments up to $7,500,000, without premium, in amounts equal to and at the dates of the required payments, and additional prepayments, subject to certain restrictions prior to November 1, 1985, of all or any portion of the notes at varying premiums.

Under the most restrictive provisions of the Company's borrowing agreements, the Company may incur total funded debt up to approximately the amount of shareholders' equity. At November 30, 1980 senior funded debt was limited to approximately $202 million In addition, at November 30, 1980 consolidated working capital was $205 million compared to $81 million required to be maintained by the Company Consolidated retained earnings of $51,400,000 at November 30, 1980 plus 80% of earnings thereafter are available for the payment of future cash dividends

Leases

The Company and its subsidiaries operate principally in leased facilities Almost one-half of the leases contain renewal options ranging from 5 to 25 years Over 90 percent of all leases provide for payment by the lessors of all or most of the applicable real estate taxes, maintenance and insurance costs, such executory costs are substantial in proportion to minimum rentals Contingent rental payments are generally based on the sales volume of the rental unit

Leased property under capital leases is included in "Properties" on the balance sheet and at November 30, 1980 and 1979 comprises the following (000's omitted).

1980	1979	
$ 138	$ 138	Land
4,536	4,536	Buildings
4,674	4,674	
3,124	3,003	Less Accumulated Depreciation
$1,550	$1,671	

At November 30, 1980, total minimum rentals under operating leases and rentals applicable to capital leases are as follows (000's omitted)

Capital Leases	Operating Leases	Years
$ 379	$ 14,098	1981
379	13,788	1982
379	12,981	1983
379	12,040	1984
379	11,304	1985
3,030	68,115	Thereafter
4,925	$132,326	Total minimum due
(2,341)		Executory costs
(1,034)		Amounts representing interest
1,550		Present value of minimum lease payments
(120)		Current portion of capitalized leased obligations
$1,430		

Minimum future sublease rentals receivable under capital leases and operating leases at November 30, 1980 amounted to $1 4 million and $3 9 million, respectively Rental expense on operating leases, including rentals under short term leases, comprises the following (000's omitted)·

1980	1979	1978	
$ 16,472	$15,352	$14,308	Minimum rentals
6,069	5,683	5,390	Contingent rentals
(1,122)	(1,015)	(792)	Sublease income
$ 21,419	$20,020	$18,906	**Total rental expense**

Operating Segment Information

The Company is engaged in the business of manufacturing and selling apparel. Approximately 20% of the Company's manufactured products are sold to consumers through its own retail stores which also sell goods purchased from others, and 80% are sold to other retailers for resale to consumers No one customer accounts for 10% or more of consolidated sales Information on the Company's manufacturing and retailing operations for the years ended November 30, 1980, 1979 and 1978 is summarized as follows (in millions).

	Manufacturing			Retailing			Adjustments			Consolidated		
	1980	1979	1978	1980	1979	1978	1980	1979	1978	1980	1979	1978
Sales to unaffiliated customers	$271.2	$237 8	$231.2	$403.7	$393 0	$375 4	$	$	$	$674.9	$630.8	$606 6
Earnings before taxes	30.3	27 7	26 1	23.2	22.2	21 2	(11.2)	(9.7)	(11 3)	42.3	40 2	36 0
Gross assets at year end	196.8	171.2	160 6	203.6	185 9	186.4	1.8	(6 6)	(8.4)	402.2	350.5	338 6
Depreciation and amortization	3.7	3.6	3 5	6.0	5 5	5.3				9.7	9.1	8 8
Property additions—net	2.8	4 9	2 5	11.9	7 5	4 2				14.7	12 4	6.7

Shipments of approximately $62 million in 1980, $60 million in 1979 and $55 million in 1978 to the Company's retail stores (at the same prices as similar items sold to unaffiliated retailers) are excluded from manufacturing sales, although profit on these products is included in manufacturing earnings Adjustments from earnings before taxes are for

	1980	1979	1978
Interest expense (net of interest income)	$ (2.5)	$ (2.6)	$ (4 3)
General corporate expenses and inter-company profit elimination	(10.0)	(8.1)	(7 3)
Equity in earnings of non-consolidated affiliate	1.3	1 0	3
	$(11.2)	$ (9.7)	$(11.3)

Adjustments of gross assets are for corporate cash, investments and other assets, less intercompany profit in inventory and intercompany receivables

Taxes on Earnings

The provision for taxes on earnings is summarized as follows (000's omitted)

1980	1979	1978	
			Current
$ 15,900	$ 15,715	$ 15,300	Federal
2,615	2,495	2,130	State and other
—	—	610	Foreign
18,515	18,210	18,040	**Total current**
			Deferred
1,050	875	(80)	Federal
170	140	(10)	State and other
1,220	1,015	(90)	**Total deferred**
$ 19,735	$ 19,225	$ 17,950	**Total taxes on earnings**

The items comprising the deferred tax provisions in each of the above years were not material

The difference between taxes on earnings reflected in the accompanying statement of earnings and the amount computed by applying the federal statutory tax rate to pre-tax earnings is summarized as follows.

Percent of Pre-tax Earnings

1980	1979	1978	
46.0%	46 2%	48 0%	Taxes computed at statutory rate
3.6	3 5	3 1	State and other taxes on earnings, net of federal tax benefit
(2.0)	(1 6)	(1 4)	Investment tax credit (approximately $850,000 in 1980, $600,000 in 1979 and $500,000 in 1978)
(.9)	(3)	.2	Other—net
46.7%	47 8%	49 9%	Effective tax rate

Pension Plans

The principal pension plan for Company employees is the union-sponsored Amalgamated Clothing & Textile Workers pension plan, in which the Company participates with other companies in the apparel industry. Contributions by the company to this plan are based on a rate which approximates 8% (7% in 1979 and 1978) of the Company's union payroll. Most of the union employees are covered by this plan.

The principal Company-sponsored plan requires contributions by the employees and another pension plan permits voluntary employee contributions Except for several deferred profit sharing plans of subsidiaries, all employer contributions are based on actuarial determinations

Total pension costs for the years ended November 30, 1980, 1979 and 1978 were approximately $3,800,000, $2,700,000 and $2,650,000 respectively, excluding contributions to union-sponsored plans The increase in pension cost for 1980 reflects 1980 amendments to the principal plan improving the plan's benefit formula.

As of January 1, 1980, the date of the most recent actuarial valuations of Company-sponsored plans, the actuarially determined present value of vested and non-vested accumulated plan benefits, assuming a 5% rate of return, were approximately $29,800,000 and $1,900,000, respectively. Net assets of the plans at that date were $37,200,000 Separate actuarial calculations of the Company's position with respect to the union-sponsored plan have not been made

Convertible Preferred Shares

Series A preferred shares are voting shares, each convertible into 1 8 common and are cumulative with an annual $2 dividend rate The shares are callable at a liquidation price of $67.50 each (an aggregate of $5,529,000 at November 30, 1980) and 147,431 common shares are reserved for conversion During 1980, 100 preferred shares were converted into 180 common shares.

Stock Option Plans

The Company has stock option plans under which officers and key employees may be granted options to purchase the Company's common stock at prices equal to the fair market value at date of grant. Options under all plans approved by the shareholders before 1980 are exercisable to the extent of 25% each year (cumulative) from the second through the fifth year, and expire five to ten years after date of grant. Options under the 1980 Stock Option Plan, approved by the shareholders on April 8, 1980, may be exercisable as to all or any portion of the shares granted at any time during the period beginning one year after the date of grant, expire on April 7, 1990.

The 1980 Plan also provides for the discretionary grant of stock appreciation rights in conjunction with the option. This allows the holder to receive a combination of shares of stock and a cash payment, which together equal the gain in market price from date of grant to the date of exercise. However, the maximum cash payment permitted is one-half of the gain in market price Under the plan, when options and appreciation rights are granted in tandem, the exercise of one cancels the other

A summary of the plans for the three years ended November 30, 1980 is as follows·

Number of Shares	Appreciation Rights	Option Price	
419,635		$6 to $27	Under option, November 30, 1977
78,608		$11 to $13	Granted
(3,800)		$6 to $10	Exercised
(101,135)		$6 to $27	Expired or terminated
393,308		$6 to $14	Under option, November 30, 1978
250		$12	Granted
(70,625)		$6 to $12	Exercised
(41,075)		$8 to $14	Expired or terminated
281,858		$6 to $14	Under option, November 30, 1979
87,700	30,850	$10	Granted
(67,625)		$6 to $12	Exercised
(11,675)		$8 to $14	Expired or terminated
290,258	30,850	$10 to $14	Under option, November 30, 1980

Options outstanding at November 30, 1980 included 30,850 granted in tandem with stock appreciation rights. Options for 152,204 shares were exercisable at November 30, 1980 at prices ranging from $9.75 to $14.13. At November 30, 1980, 193,300 shares were available for grant (23,300 shares at November 30, 1979) and 483,558 shares were reserved for options granted or to be granted.

Effects of Inflation (unaudited)

Financial statements presented in accordance with generally accepted accounting principles have traditionally reported amounts based on historical costs and have not attempted to measure the effects of changing prices on business enterprises. To assist users of financial statements by providing financial information that discloses the more significant impacts of inflation, the Financial Accounting Standards Board (FASB) has issued Statement 33, "Financial Reporting and Changing Prices," which requires certain supplemental financial data adjusted for the effects of changing prices. The concepts and disclosure requirements prescribed in Statement 33 are considered to be experimental.

Statement 33 requires that certain historical financial information be adjusted to reflect the current purchasing power of the dollar (constant dollar). The Statement requires that the Consumer Price Index for All Items—All Urban Consumers (CPI-U) be used in computing such adjustment. This measure of inflation contains certain elements such as fuel and housing costs which currently reflect a higher rate of inflation than that experienced in the apparel industry The Company believes that the Men's-Boy's and Women's-Girl's apparel components of the CPI-U Index represent a more appropriate measure of inflation in the Company's cost of merchandise and sales prices. These apparel indices increased 4.6% and 2 1% respectively, during the Company's fiscal year ended November 30, 1980, as compared to 13.6% for the CPI-U—All Items which is required to be used in presenting this information

The following financial information relating to net earnings and net assets was prepared by converting the historical costs of inventory, property and equipment, cost of goods sold and depreciation expense into dollars with purchasing power equal to average fiscal 1980 dollars using the CPI-U for All Items As prescribed by Statement 33, income tax expense has not been revised for the effects of constant dollar adjustments to income because these adjustments are not permitted for income tax purposes.

1980 Statement of Earnings
as adjusted for the effects of general inflation
(In millions, except per share data)

Earnings before taxes as reported	$ 42 3
Adjustments to restate for the effects of general inflation:	
Cost of goods sold	(15 2)
Depreciation and amortization	(5 6)
Adjusted earnings before taxes	$ 21 5
Taxes on earnings as reported	19 7
Net earnings adjusted for the effects of general inflation	$ 1 8
Earnings per share adjusted for the effects of general inflation	$ 21

Net assets (equity) at November 30, 1980, adjusted for the effects of general inflation were $308.6 million, compared to $226 8 million at historical costs

Holders of monetary assets, such as cash or receivables, lose purchasing power during inflationary periods; conversely, holders of monetary liabilities benefit during such periods The following table shows the effect of inflation including the gain in purchasing power on the Company's net monetary liabilities.

(In millions, except per share data)	
Net earnings, as above	$ 1 8
Gain in purchasing power on net monetary liabilities	3 4
Net earnings adjusted for the effects of general inflation and gain in purchasing power on net monetary liabilities	$ 5 2
Earnings per share adjusted for the effects of general inflation and gain in purchasing power on net monetary liabilities	$ 61

Five-year Comparison
of Selected Financial Data in 1980 Fiscal Year
Average Dollars

	1980	1979	1978	1977	1976
Sales (in millions)	**$ 674.9**	$ 716 3	$ 764.2	$ 768 6	$ 769 5
Cash dividends per common share	**.97**	1 00	1 01	97	91
Market price per common share at year end	**14**	13⅜	13⅜	16⅛	17⅝
Average consumer price index	**244.4**	215 2	194 0	180 6	169 8

Had the apparel indices been used, 1976 sales would have been approximately $623 million which indicates growth in sales since then plus the effects of inflation on $534 6 million actual sales in 1976

Replacement cost information, which indicates the replacement cost of productive capacity and merchandise inventories and the approximate effect that this would have on the Company's operations, is contained in the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission.

Quarterly Financial and Common Share Information

Quarters	Net Sales			Gross Profit			Net Earnings		
(Not separately audited)	(000's omitted)			(000's omitted)			(000's omitted)		
	1980	1979	1978	**1980**	1979	1978	**1980**	1979	1978
First	**$184,567**	$171,323	$165,576	**$ 69,664**	$ 64,496	$ 62,755	**$ 7,725**	$ 6,805	$ 5,860
Second	**143,314**	138,571	133,315	**60,075**	55,954	53,284	**4,500**	4,365	3,765
Third	**161,271**	149,812	146,818	**58,937**	54,776	53,121	**3,865**	3,670	3,290
Fourth	**185,736**	171,045	160,901	**74,301**	67,086	61,757	**6,435**	6,175	5,090
Total	**$674,888**	$630,751	$606,610	**$262,977**	$242,312	$230,917	**$22,525**	$21,015	$18,005

Quarters	Net Earnings			Cash Dividends		
(Not separately audited)	Per Share			Per Share		
	1980	1979	1978	**1980**	1979	1978
First	**$ .90**	$ 79	$ 68	**$ .22**	$ 22	$ .20
Second	**.53**	51	.44	**.25**	.22	.20
Third	**.45**	43	38	**.25**	22	.20
Fourth	**.75**	72	.59	**.25**	.22	20
Total	**$2.63**	$2 45	$2 09	**$ .97**	$ 88	$ .80

Hart Schaffner & Marx common shares are traded under the symbol HSM on the New York and Midwest Stock Exchanges The quarterly composite price range for the past three years was

	Fiscal 1980				Fiscal 1979				Fiscal 1978			
	Fourth	**Third**	**Second**	**First**	Fourth	Third	Second	First	Fourth	Third	Second	First
High	**$16**	**$14⅞**	**$12**	**$12⅞**	$13⅜	$13½	$13¼	$15⅜	$16	$15	$14⅛	$12
Low	**13¼**	**11½**	**9¾**	**11⅛**	10	11⅜	11⅛	10½	10	12	10¾	10¾

Series A cumulative preferred shares, on which quarterly $ 50 cash dividends were paid in 1980, 1979 and 1978, while not separately traded, are convertible into 1 8 common shares

The financial condition of Hart Schaffner & Marx continues to improve as retained earnings increase shareholders' equity. This has enabled the Company to make two significant acquisitions—Intercontinental in September 1979 and Country Miss in January 1981—for cash and still have no short term borrowings at January 31, 1981 The notes payable to banks of $24 million at November 30, 1980 were paid by January 7, 1981 Seasonal borrowings normally reach a peak in the fourth quarter when inventories are highest for the peak retail selling season As merchandise is sold and receivables collected, cash becomes available to pay short term loans by January 31

Accounts receivable increased $15 5 million or 14% at November 30, 1980 compared to 1979 This was primarily due to higher charge sales to consumers and manufacturing shipments to independent retailers, although collections are a little slower due to the impact of high interest rates Bad debt losses have remained relatively low, which is partly attributable to the customers we serve.

Inventories increased $21 6 million or 13 percent at November 30, 1980 compared to 1979. This reflects a higher level of sales and manufacturing production for 1981 orders. The inventory condition meets all standards of fashion desirability, proper quantity and turnover

The investment in fixed assets was $14.7 million in 1980 and, after $9 7 million depreciation and amortization, the book value of fixed assets increased $5 million About three-fourths of the 1980 investment was for 14 new stores and 12 major remodelings, which accounts for the increased capital spending Fixed asset additions in 1981 will be about double the 1980 level as 15 to 20 new stores will be opened, major remodelings will continue, a new facility is being built for receiving and cutting fabrics by the Hart Schaffner & Marx Clothes Division adjacent to its distribution center near O'Hare Airport and new headquarters are being leased in downtown Chicago

During 1981, the cash from higher retained earnings and seasonal borrowings will be used for the higher levels of receivables and inventory Funds for fixed assets will be available from a combination of cash flow from operations, a long term industrial revenue bond to

Selected Balance Sheets Data

In Thousands/at November 30	**1980**	1979	1978	1977	1976
Accounts Receivable	**$124,618**	$109,084	$105,400	$102,889	$ 96,340
Inventories	**186,061**	164,445	164,356	159,238	144,137
Net Properties	**63,456**	58,473	55,165	57,749	55,363
Total Assets	**402,235**	350,537	338,620	340,554	318,184
Working Capital	**205,065**	197,113	193,984	188,292	174,577
Long Term Debt	**53,656**	54,221	53,723	61,807	54,947
Shareholders' Equity	**226,812**	212,574	199,501	188,342	179,023

Five Year Consolidated Summary of Operations

In Thousands/Years ended November 30	**1980**	1979	1978	1977	1976
Net sales	**$674,888**	$630,751	$606,610	$567,986	$534,609
Interest and other income	**12,142**	12,086	8,296	7,115	6,360
	687,030	642,837	614,906	575,101	540,969
Cost of goods sold	**412,685**	388,439	375,693	354,424	335,435
Selling, administrative and occupancy expenses	**226,563**	209,048	197,493	184,419	173,209
Interest expense	**5,522**	5,110	5,765	5,523	4,275
	644,770	602,597	578,951	544,366	512,919
Earnings before taxes	**42,260**	40,240	35,955	30,735	28,050
Taxes on earnings	**19,735**	19,225	17,950	15,230	14,200
Net earnings	**$ 22,525**	$ 21,015	$ 18,005	$ 15,505	$ 13,850
Net earnings per common share and equivalent	**$ 2.63**	$ 2.45	$ 2 09	$ 1 80	$ 1.61
Cash dividends paid on.					
Preferred shares	**$ 164**	$ 164	$ 164	$ 164	$ 164
Common shares	**$ 8,140**	$ 7,398	$ 6,732	$ 6,056	$ 5,298
Per share	**$ .97**	$ 88	$ 80	$ .72	$ 63
Average number of common shares and equivalents	**8,561**	8,577	8,601	8,601	8,588

finance the new piece goods facility and the proceeds from the sale of the old headquarters property Long term debt, including obligations under capital leases, is only $53 7 million or 19 percent of the Company's total capitalization, so there is ample capacity for increased borrowing when it becomes necessary. The Company's cash position has enabled it to hold substantial amounts of short-term investments at various times Interest income of about $3 million was earned in 1980, $2.5 million in 1979 and $1 5 million in 1978. The expansion and acquisitions are expected to produce operating profits which will more than compensate for lower interest income in the future.

In fiscal 1980 and in the two previous years, the Company achieved record sales and earnings in retailing, in manufacturing and on a consolidated basis Sales and earnings increased in each of the past five years Sales increased $44 1 million or 7 percent in 1980 and $24 1 million or 4 percent in 1979 Consolidated earnings increased $1 5 million or 7 percent in 1980 and $3 million or 17 percent in 1979.

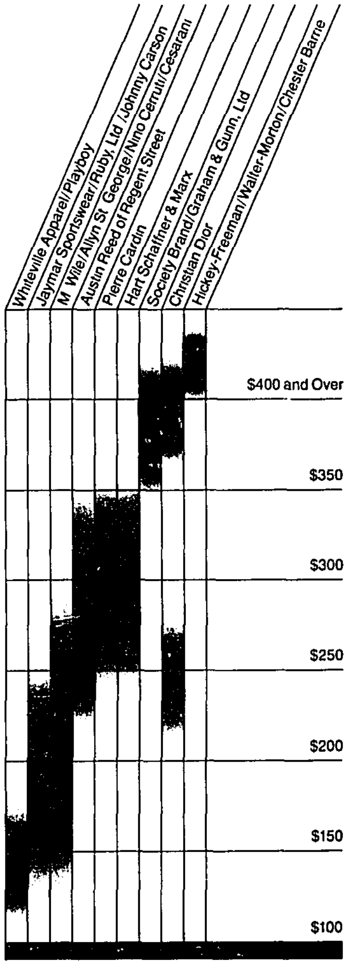
Sales and pre-tax earnings are shown under the "Operating Segment Information" for manufacturing and retailing. A substantial portion of the 14 percent increase in manufacturing sales for 1980 represents sales of Pierre Cardin clothing by Intercontinental Apparel, Inc , acquired in September 1979. Higher prices account for some of the sales increases, although inflation in the apparel prices has been substantially below the overall increase in the Consumer Price Index. The Hart Schaffner & Marx Clothes Division achieved a substantial sales increase in 1980, particularly in the Christian Dior and Austin Reed of Regent Street lines

Production efficiency and better gross margins resulted in cost of goods sold decreasing to 61 1 percent of sales in 1980 from 61.6 percent in 1979 and 61 9 percent in 1978 Higher margins were needed to compensate for the inflationary pressures on operating expenses, which increased to 33.6 percent of sales in 1980 from 33 1 percent in 1979 and 32.6 percent in 1978.

Other income, interest income and the equity in Robert's of Mexico remained at $12.1 million, the same as 1979, and up from $8 3 million in 1978. Finance charges and other income, largely finance charges on retail receivables, decreased in 1980 as the fourth quarter of 1979 included income from Hughes Aircraft related to systems developed for the apparel industry. The 49 percent equity in earnings of Robert's was $1,252,000 in 1980 compared to $1,017,000 in 1979, and the low $319,000 amount for 1978 is because Robert's earnings prior to May 1978 were included in operating figures.

Earnings before taxes were 6 3 percent of sales in 1980, 6.4 percent in 1979 and 5.9 percent in 1978 In relation to pre-tax earnings, taxes were 46 7 percent in 1980, 47.8 percent in 1979 and 49 9 percent in 1978 Investment tax credits were higher due to more fixed asset additions. Depreciation and amortization increased to $9.7 million in 1980 from $9 1 million in 1979 and $8 8 million in 1978 as a result of the higher fixed asset additions. The investment tax credits, partially offset by higher state income taxes, and the lower statutory federal income tax rate, helped to improve net earnings in both 1980 and 1979.

Retail Price Ranges of Men's Suits by Brand



Transfer Agent and Registrar
The First National Bank of Chicago
Chicago, IL 60670

Form 10-K
Hart Schaffner & Marx will provide to any shareholder, without charge, a copy of its Annual Report on Form 10-K, as filed with the Securities and Exchange Commission (but without exhibits). Requests should be in writing to. Hart Schaffner & Marx, attention Mrs. Kay C Nalbach, Assistant Secretary, 36 South Franklin Street, Chicago, IL 60606

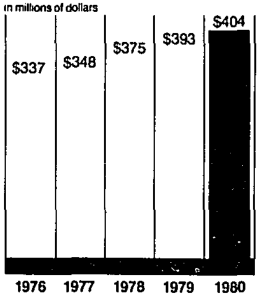
275 Company Owned and Operated Retail Stores in 66 Metropolitan Areas

37 Retail Companies

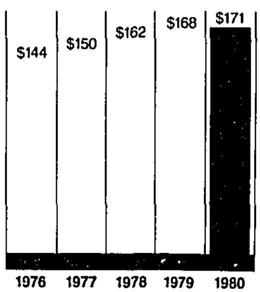
Number and Type of Stores
The number in each store square represents the units each group operates The color coding illustrates the type of store (i.e. Men's/Women's)

Store Types	Symbol	No.
Men's Apparel		95
Women's Apparel		34
Men's and Women's Apparel		146
Total U.S.		**275**

Retail Store Sales
in millions of dollars



Sales Per Sq. Ft. of Selling Space



Board of Directors

A. Robert Abboud ■ ■ ■
President and Chief Operating Officer
Occidental Petroleum Corporation

Lee S. Bickmore ■ ■
Chairman, Executive Committee, Nabisco, Inc

James F. Chambers, Jr. ■ ■
President
VAL/CHAM Consultants, Inc

Paul A. Conley ■ ■
Financial Consultant. retired Chairman,
Blyth Eastman Dillon & Co Incorporated

James E. Devitt ■ ■
Chairman and Chief Executive Officer,
The Mutual Life Insurance Company of New York

Jerome S. Gore ■
President and Chief Executive Officer
Hart Schaffner & Marx

John D. Gray ■
Chairman, Hart Schaffner & Marx

Arthur Gunzberg
Chairman, M. Wile & Company, Inc

Richard P. Hamilton
Executive Vice President,
Hart Schaffner & Marx

Donald P. Jacobs ■ ■
Dean, J L Kellogg Graduate School of Management
Northwestern University

Charles Marshall ■ ■
President, Illinois Bell Telephone Company

John R. Meinert
Executive Vice President,
Hart Schaffner & Marx

Burton B. Ruby
President, Jaymar-Ruby, Inc.

Elmer Schlesinger ■ ■
Investor

Director Committees

■ Executive
Audit
■ Compensation and Stock Option
■ Director Nominating
Management Operations

Honorary Directors

Walter M. Heymann
Retired (former Vice Chairman,
The First National Bank of Chicago)

Walter B.D. Hickey, Sr.
Honorary Chairman, Hickey-Freeman Co , Inc.

J.M. Ruby
Chairman, Jaymar-Ruby, Inc

Clay E. Steele
Retired (former Senior Vice President,
Hart Schaffner & Marx)

Corporate Officers

John D. Gray
Chairman

Jerome S. Gore
President and
Chief Executive Officer

Richard P. Hamilton
Executive Vice President

John R. Meinert
Executive Vice President

Jerome Dorf
Vice President and Controller

Ralph Kaufmann
Vice President

Mark J. Lies
Vice President and Treasurer

William J. McNally, Jr.
Vice President

Sherman D. Rosen
Vice President

Charles L. Stewart
Vice President, Secretary and
General Counsel

Edward R. Weed
Vice President

Hart
Schaffner
& Marx

Hart Schaffner & Marx
36 South Franklin Street
Chicago, Illinois 60606
(312) 372-6300